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SUBJECT: TURKEY'S BOTAS WORRIED ABOUT SOUTHERN GAS CORRIDOR

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C) ANKARA 5332

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Sensitive But Unclassified. Please handle accordingly.

11. (SBU) Summary: In an October 2 meeting, BOTAS officials expressed strong support for the southern gas corridor, but voiced concerns about developable reserves in Azerbaijan, pressure from Russia on Azerbaijan and Georgia, and how Iran's significant reserves fit into pipeline possibilities. BOTAS said that it was ready to receive South Caucasus Pipeline (SCP) gas from Azerbaijan via Georgia and that the Turkey-Greece-Interconnector (TGI) construction was on track for early spring 2007 completion. BOTAS officials said they would be pleased to participate in an IEA-convened southern corridor working group meeting if BOTAS participation was approved by the Ministry. End Summary.

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Connection to Greece on Track  
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12. (SBU) BOTAS Acting DG Saltuk Duzyol told us that the Turkey-Greece-Interconnector (TGI) was on track for completion in spring 2007. He said that 1.5 km remained to be completed in the Dardanelles crossing. Duzyol admitted that there were some problems with the Meric River crossing to Greece and construction in the Thrace where BOTAS may have to replace the sub-contractor. He stated that BOTAS would proceed with a sense of urgency to get as much work done as possible in advance of winter rains. The BOTAS official still identified early spring 2007 as the date for completion; however, he noted that there were comparable delays on the Greek side where DEPA was required to use a Russian contractor based on previous agreement with Gazprom, and where the Greek Supreme Court had only recently approved the interconnector.

13. (SBU) Duzyol commented that after completion of the Dardanelles crossing the construction barge would go to Akcakoca on the Black Sea where a partnership of American firm Torreador-Madison and Turkish TPAO were developing a pipeline link to the Turkish grid for

2 MCM of natural gas production from a shallow water off-shore platform.

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Southern Caucasus Pipeline Golden Weld  
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14. (SBU) While suggesting that Azerbaijan and the SCP consortium had created obstacles - partly a legacy of comparable claims and counter-claims with BP on BTC completion, Duzyol said that the "golden weld" completing Turkey's Erzurum spur link to the SCP was sealed at the Georgian border last week. He claimed that Turkey is now ready to accept gas, but because of technical delays in Azerbaijan the SCP consortium was not ready to deliver gas to the border. Duzyol claimed that the Turkish portion of the pipeline and the metering station were complete, but admitted that the compressor was late with only one unit functioning.

15. (SBU) Citing recent strained relations between Moscow and Tbilisi, the BOTAS officials expressed strong concern that Russia would put extreme pressure on Azerbaijan not to provide gas to Georgia and Turkey. They understood that Russia had threatened not to deliver the 5 BCM Russian gas to Azerbaijan in 2007, putting in question Azerbaijan's ability to perform under its Shah Deniz Phase I contract with Turkey.

16. (SBU) Duzyol said the most important topic discussed at the BSEC Energy Ministerial in Sochi, Russia was prospects for Bosphorus bypass oil pipelines. He delivered the standard Turkish government position on why Samsun-Ceyhan would be the best Bosphorus bypass oil pipeline project and why Russia will eventually come around to support it. Duzyol also cited the potential linkages from Ceyhan (by pipeline or tanker) to the existing pipeline in Israel from Ashkelon to the Red Sea to provide crude oil to Asian markets. The BOTAS official lamented Russia's clear intent to maintain its oil pipeline monopoly, and he admitted that Burgos-Alexandropolos was currently "a little ahead".

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Clearing the Fog  
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17. (SBU) Sharing our strong support for a "southern gas corridor" to Europe, the BOTAS officials identified the critical importance of Shah Deniz. They expressed concerns about the extent of Azerbaijan's exportable reserves and the country's will to follow through on development of Shah Deniz phase 2. They lamented an extensive "fog" of problems with respect to Azerbaijan's intents and Russia's threats. Accepting our position on Iran that it needed to get its house in order on both its pursuit of uranium enrichment and its unreliability as a gas supplier, Duzyol and his colleagues called for development of alternatives; i.e. Iraq (septel), Trans-Caspian from Turkmenistan and/or Kazakhstan, and Egypt to supplement Shah Deniz.

18. (SBU) BOTAS officials were supportive of the action plan we laid out: 1) Turkey-Azerbaijan meeting to dispel lack of clarity on Shah Deniz Phase I and lay groundwork for transit arrangements for Phase II; 2) A larger southern gas corridor meeting convened by the IEA (they would participate with Ministry approval); 3) a TDA study visit to Henry Hub, Louisiana as an example of a good hub; and 4) a TDA feasibility study for a TCP from Kazakhstan (with potential link to Turkmenistan and possible inclusion of oil).

19. (SBU) COMMENT: The BOTAS officials were dismissive of notions that they intended to act like a Gazprom, but they called for Turkey playing a "pooling" role for the transit of a variety of sources. They called for "hurrying up" to avoid increased dependency on Russia and repeated their urging to "dispel the fog" on the moving parts that need to come together to make up a southern gas corridor.

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